Illinois Commerce Commission Report to the General Assembly: Summary of Annual Reports Filed by Electric Utilities Required by Section 16-130 of the Electric Service Customer Choice and Rate Relief Law of 1997

The Illinois Commerce Commission

May 1999

Executive Summary

Section 16-130 of the "Electric Service Customer Choice and Rate Relief Law of 1997" (the "Customer Choice Law") directs the Illinois Commerce Commission ("Commission") to submit a report to the General Assembly that summarizes the information filed by the state's nine investor-owned electric utilities with the Commission pursuant to Section 16-130. The Commission hereby submits this report to the General Assembly in response to that directive.

The report summarizes the information provided by the utilities regarding such activities as cost-containment measures, the sale of generating plants and the use of transitional funding instruments ("TFIs") that occurred during 1998. The report also summarizes information reported by the utilities to the Commission regarding the extent to which electric customers choose new suppliers and the revenue recovered from those customers through transition charges. The Commission does not vouch for the accuracy of the information provided by the utilities and summarized in this report.

The report demonstrates that most utilities have taken advantage of the opportunities provided by the Customer Choice Law in two principal ways. First, Article XVIII of the Customer Choice Law permits utilities to seek permission from the Commission to issue TFIs. TFIs are debt securities that are typically sold at low interest rates because the holders of the securities have a claim on ratepayer revenues. As described below, Commonwealth Edison Company ("ComEd") and Illinois Power Company ("IP") have issued billions of dollars of transitional funding instruments. Second, since electric rates are frozen and the Customer Choice Law limits the ability of the Commission to conduct a review of electric rates, utilities are able to retain all profits generated by cost-saving programs and plant sales unless earnings exceed a certain level.

The following are examples of the types of activities that utilities have undertaken since the enactment of the Customer Choice Law:

- ComEd and IP sought and received regulatory approval to issue TFIs. ComEd issued $3.4 billion of TFIs and IP issued $864 million of TFIs. Both utilities used the proceeds of the TFIs to redeem debt and equity securities, as required by Article XVIII of the Public Utilities Act ("Act").

- ComEd shut its Zion nuclear facility. ComEd also reduced employee count by 804 during 1998, adopted new depreciation rates applicable to its nuclear facilities; and improved generating station performance. Recently ComEd announced an agreement to sell its fossil-fueled generating plants (for a reported $4.8 billion) and purchase the output from the plants from the new owner of the plants for five years. The plant sales will be discussed in the year 2000 report.

- IP recently disclosed plans to transfer its generating plants to a affiliate and to sell its Clinton nuclear facility. These transactions will be discussed in the year 2000 report.

- ComEd, IP and the Ameren companies (AmerenCIPS and AmerenUE) have eliminated the use of the pass-through of fuel costs via the Uniform Fuel Adjustment Clause ("UFAC"), as permitted by the amendments to Section 9-220 of the Act. ComEd calculates that elimination of its UFAC saved its customers $73.6 million. IP states that elimination of its UFAC saved its customers $292 million. AmerenCIPS and AmerenUE report that UFAC elimination did not result in customer savings.

- Both MidAmerican Energy Company ("MEC") and Central Illinois Light Company ("CILCO") sought and received regulatory approval for mergers with out-of-state companies. Additionally, in 1998 the parent companies of South Beloit Water, Gas and Electric Company and Interstate Power Company completed the proposed merger with IES Industries that formed Alliant Energy.

- A hiring freeze at Ameren during 1998 resulted in the elimination of 400 positions. MEC completed work on a railroad spur that increased competition between railroads carrying coal to MEC. Mt. Carmel instituted a hiring freeze and curtailed capital spending.

The customer choice period will not begin until October 1, 1999. Thus, the primary customer benefit from the Customer Choice Law conferred on electric customers derives from the mandatory rate reductions for residential customers, which took effect on August 1, 1999. Only AmerenCIPS and AmerenUE, ComEd, Central Illinois Light Company ("CILCO"), IP, and MEC are required to implement rate reductions. According to the utilities' calculations, in the five months of 1998 in which the rate freeze was in effect residential customers saved approximately $212.3 million. Based on these figures, the Commission calculates that in 1999 and succeeding years, the rate reductions will generate about $475-500 million in annual savings for residential customers.

Disclaimer: The Illinois Commerce Commission has not verified the information presented in this document provided by public utilities pursuant to their obligations under Section 16-130 of the Electric Service Customer Choice and Rate Relief Law of 1997.

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Tables

I. Summary of Utility Responses to Section 16-130 Requirements

This Section of the report summarizes the information provided by utilities in response to the requirements of Section 16-130 of the Act.

A. Number of Customers Switching Suppliers and Transition Charge Recovery

Section 16-130(a)(1) requires utilities to provide information concerning the extent to which eligible retail customers switch suppliers and the amount of transition charges paid to the host utilities by those customers.

The response by each reporting utility in this Section (1) is "zero," as no electric utility has yet made delivery services generally available. The customer choice period begins October 1, 1999. The required information is stated in Section 16-130(a)(1) as follows:

> **Data on each customer class of the electric utility in which delivery services have been elected including:**
>
> **(A) number of retail customers in each class that have elected delivery service;**
>
> **(B) kilowatt hours consumed by the customers described in subparagraph (A);**
>
> **(C) revenue loss experienced by the utility as a result of customers electing delivery services or market-based prices as compared to continued service under otherwise applicable tariffed rates;**
>
> **(D) total amount of funds collected from each customer class pursuant to the transition charges authorized in Section 16-108;**
>
> **(E) Such other information as the Commission may by rule require**.[1]

B. Utility Cost Mitigation Activities

Section 16-130(a)(2) requires utilities to provide information concerning their efforts to mitigate and reduced costs:

> **A description of any steps taken by the electric utility to mitigate and reduce its costs, including both a detailed description of steps taken during the preceding calendar year and a summary of steps taken since the effective date of this amendatory Act of 1997, and including, to the extent practicable, quantification of the costs mitigated or reduced by specific actions taken by the electric utility.**

The utilities furnished the following information:

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[1] The Commission has not issued a Rule requiring utilities to file information in addition to the information required by Section 16-130.

AmerenCIPS: CIPS merged with Union Electric Company, and formed Ameren Corporation. The merger resulted in 1998 savings of approximately $36 million which mainly derived from the joint dispatching of both companies' generation. Additionally, savings of $4 million were achieved through a hiring freeze and targeted separation plan (exclusive of a $7 million pre-tax non-recurring charge.)

CILCO: CILCO states that it did not identify or implement individually identifiable long-term cost reductions that are attributable to the Customer Choice Law.

ComEd: ComEd reported several major cost reduction activities in 1998:

- The closing of the Zion nuclear station resulted in $185 million in lower operating and depreciation expense. This amount was offset by unusually high costs for power purchased on the open market that would have been produce by the Zion station.[2]
- ComEd changed the depreciation rates applicable to its nuclear facilities, which reduced depreciation expense by $65 million in 1998.
- Improved generating station performance resulted in a reduction of unit fuel cost per million BTU in 1998 compared to 1997.
- The issuance of asset-backed securities resulted in an estimated $40 million savings in 1998.
- Workforce reductions have resulted in a drop in employee count of 804 employees during 1998, but savings from workforce reduction were not quantified.
- ComEd also states that it has endeavored to mitigate costs as it developed new information systems in preparation for open access, but the amount saved cannot be quantified.

Illinois Power: Illinois Power identified several activities that were undertaken to reduce Power and mitigate costs:

- Illinois Power received a "credit memo" in the amount of $3.2 million from the Department of Revenue after the reclassification by the FERC of certain short-term debt as long-term debt.
- Property tax reductions of approximately 0.9 million were achieved after hearings before the Madison County Board of

[2] With the closing of Zion Station, ComEd now has three mothballed nuclear plants (Zion 1 and 2, and Dresden 1).

Review.

- Use of alternate fuel resulted in savings of $620,000.
- Avoidance of disposal costs from sales of combustion by-products resulted in avoided cost savings of $1.5 million.
- Reduction of $155,000 in worker compensation claims, from $576,000 in 1997 to $319,000 1998.
- Improved availability and efficiency of existing generating facilities resulted in approximately $2.9 million savings.
- Increased generating capacity is expected to result in savings in fuel costs in 1999.

Interstate Power: Interstate Power and South Beloit both note that cost savings due to formation of Alliant Energy is anticipated to result in cost savings resulting from operating efficiencies. As of the reporting date, Alliant has not quantified the cost savings due to the merger.

MEC: MEC identified, but did not quantify, the cost savings associated with the following activities:

- Fuel procurement
- Lower fuel costs due to competition between railroads delivering coal over the rail spur constructed at Council Bluffs Energy Center
- Delivery process improvements
- Technological improvements intended to improve customer service

Mt. Carmel: Mt. Carmel reported that it instituted and maintained a hiring freeze salary containment program and that it also curtailed capital spending.

South Beloit: See Interstate Power, above.

AmerenUE: As described above, savings of $36 million were achieved by AmerenCIPS/AmerenUE through joint dispatch of generation. A hiring freeze and targeted separation plan resulted in savings of $11 million (exclusive of a $18 million pre-tax non-recurring charge.)

C. Depreciation Rate Changes, Reorganizations, UFAC Elimination and Rate Reductions

Section 16-130(a)(3) seeks information about actions that utilities have taken under various Sections of the Act that were amended during the 1997 legislative process.

Sections 5-104 concerns depreciation; Section 7-204 describes the regulatory approvals needed for certain utility reorganizations and mergers; and, Section 9-220 provides various options for utilities that seek to eliminate the use of their UFAC.

Section 16-111, one of the new and longer sections of the Act, is concerned with electric rates during the "mandatory transition period" (1997-2004). It is the section that mandates the residential rate reductions, and describes, among many other things, the regulatory approvals needed for generating plant sales.

The required information is stated in Section 16-130(a)(3) as follows:

> **A description of actions taken under Sections 5-104, 7-204, 9-220, and 16-111 of this Act. This information shall include but not be limited to:**
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> **(A) a description of the actions taken;**
> **(B) the effective date of the action;**
> **(C) the annual savings or additional charges realized by customers from actions taken, by customer class and total for each year;**
> **(D) the accumulated impact on customers by customer class and total; and**
> **(E) a summary of the method used to quantify the impact on customers.**

The utilities provided the following information:

1. Section 5-104

Only ComEd took actions permitted under Section 5-104. ComEd changed certain depreciation rates applicable to nuclear generating facilities. The changes resulted in a reduction of depreciation expense of $65 million in 1998, but resulted in no immediate impact on ComEd's customers.

2. Section 7-204

MEC sought approval for its merger with CalEnergy. MEC states that it expects the merger to be consummated in 1999.

Alliant Energy is a registered holding company that was formed in 1998 as result of the merger between WPL Holdings, Inc., IES Industries Inc. and Interstate Power Company. These three entities are direct public utility subsidiaries of Alliant Energy. South Beloit is a wholly owned subsidiary of WPL Holdings, Inc.

3. Section 9-220

The Ameren companies, ComEd, and IP used the provisions of Section 9-220 to eliminate the utility's UFAC. ComEd calculates that elimination of its UFAC saved customers $73.6 million.[3] IP states that elimination of its UFAC saved its customers $292 million. The Ameren companies eliminated the use of the UFAC in 1998; however, both companies report that this action did not result in ratepayer savings. [4]

4. Section 16-111

On August 1, 1998, the six largest electric utilities reduced their residential base rates, as required by Section 16-111 of the Act. ComEd and IP reduced rates by 15%, CIPS and UE reduced rates by 5%, CILCO reduced rates by 2%, and MEC reduced rates by 1.7%.

Table 1 shows that the utilities calculate that the rate reductions saved residential customers $212.3 million during the five months of 1998 in which the rate reduction was in effect. Extrapolated over a full year, the figures show that annual customer savings due to the rate reductions can be expected to be about $500 million.

Table 1: 1998 Savings from Residential Rate Reductions

Electric Utility	Base Rate Reduction (%)	1998 Residential Customer Savings From Rate Reductions ($ millions)
CIPS	5	4.5
CILCO	2	1.0
ComEd	15	170
Illinois Power	15	35
Interstate Power	0	0
MidAmerican	1.7	0.9
Mt. Carmel	0	0
South Beloit	0	0
Union Electric	5	0.9
Total		212.3

D. Use of Transitional Funding Instruments (Securitization)

Section 16-130(a)(4) requires utilities to provide information about the use of transitional funding instruments ("TFIs"). TFIs are debt securities that due to a non-bypassable charge on customer bills carry relatively low interest rates. The Customer

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[3] This amount does not include $21.9 million that the Commission ordered ComEd to refund as a result of fuel adjustment reconciliation proceedings for the years 1994 and 1996.

[4] The Commission notes that the utilities' elimination of the UFAC prevented the Commission from reviewing the reasonableness of the costs which the utilities state would have been paid by their customers absent UFAC elimination.

Choice Law provides the holders of TFIs a senior claim to the utilities revenues which is backed by ratepayer guarantees. Ratepayers are obligated to pay for TFIs through the non-bypassable instrument funding charge ("IFC"), even if an electric utility fails and a successor company provides electric service. Due to the guaranteed cash flows from the IFC, investors view TFIs as low in risk and, therefore, require low interest rates.

Section 16-130(a)(4) provides as follows:

> **A summary of the electric utility's use of transitional funding instruments, including a description of the electric utility's use of the proceeds of any transitional funding instruments it has issued in accordance with Article XVIII of this Act.**

Only ComEd and IP sought and received permission to issue transitional funding instruments. The Commission Order in Docket No. 98-0319 authorized Commonwealth Edison Company to issue up to $3.4 billion of TFIs. The Commission Order in Docket No. 98-0488 authorized IP Company to issue up to $864 million of TFIs.

1. ComEd

On December 16, 1998, through trusts established as "Special Purpose Entities," ComEd issued $3.4 billion of Transitional Funding Trust Notes at an average interest rate of 5.57%. ComEd states that the proceeds are used being used to redeem debt and equity securities to reduce ComEd's overall cost of capital.

Specifically, ComEd has used the proceeds from Note issuances as follows:

- $959 million to redeem First Mortgage Bonds
- $58 million to redeem Sinking Fund Debentures
- $534 million to redeem preferred stock
- $490 million to reduce short-term debt
- Approximately $10 million for repurchase common stock through a program to repurchase shares from small shareholder accounts

ComEd states that the proceeds will be used in the future as follows:

- Unicom plans to repurchase $750 million of additional common stock by February 2000
- ComEd will repurchase $750 million of its common stock owned by Unicom

- Approximately $400 million to redeem additional debt and equity and for the payment of transaction costs (transaction costs to date total approximately $38 million)

2. Illinois Power

On September 10, 1998, IP received approval from the Commission to issue up to $864 million of Transitional Funding Instruments. IP used the proceeds from the issuance of TFIs as follows:[5]

- Call of bonds at a total cost of $307,590,826
- Repurchase of Illinova stock at a total cost of $49,260,231
- Repurchase of bonds at a total cost of $119,457,414

E. Revenue and Consumption Statistics

Section 16-130(a)(5) requires utilities to provide information about revenue and kilowatt-hour sale statistics:

> **Kilowatt-hours consumed in the twelve months ending December 31, 1996 (which kilowatt-hours are hereby referred to as "base year sales") by customer class multiplied by the revenue per kilowatt hour, adjusted to remove charges added to customers bills pursuant to Sections 9-221 and 9-222 of this Act, during the twelve months ending December 31, 1996, adjusted for the reductions required by subsection (b) of Section 16-111 and the mitigation factors contained in Section 16-102. This amount shall be stated for: (i) each calendar year preceding the year in which a report is required to be submitted pursuant to subsection (b); and (ii) as a cumulative total of all calendar years beginning with 1998 and ending with the calendar year preceding the year in which a report is required to be submitted pursuant to subsection (b).**

F. Adjusted Consumption and Revenue Statistics

Section 16-130(a)(6) requires utilities to furnish information to allow for the comparison described in Section II(E).

> **Calculations identical to those required by subparagraph (5) except that base year sales shall be adjusted for growth in the electric utility's service territory, in addition to the other adjustments specified by the first sentence of sub-paragraph (5).**

[5] Costs include principal and premium, if any.

The Commission has construed Section 16-130 (a)(5) and (a)(6) as requiring certain information for the years 1998 and after to allow a comparison of two scenarios. The first scenario is based on the assumption that the usage of electricity is constant, at 1996 levels, for each class of customers throughout the period during which Section 16-130 requires reports. The second scenario is based on actual usage of electricity (1) that the utility delivers, either as part of a bundled sale, as a Section 16-110 purchase, or as a delivery of third-party furnished electricity, or (2) that the electric utility does not deliver but as to which it is entitled to collect transition charges. The Commission's understanding is that Section 16-130(a)(5) and (a)(6) are intended to allow for a comparison of the electric utility revenue diminution resulting from the residential rate reductions and mitigation factors, calculated through time as it would have been viewed as of the enactment of Article XVI, based upon static usage at 1996 levels (Section 16-130(a)(5)), with the revenue effects calculated on the basis of all assumptions held constant except usage, with usage adjusted to show actual kilowatt-hours delivered (or otherwise forming the basis for transition charge collections) during the relevant years (Section 16-130(a)(6)).

Most of the utilities did not interpret Sections 16-130(5) and (a)(6) in the manner just described. Therefore, the Commission requested that the utilities provide information enabling the Commission to calculate the revenue figures consistent with the Commission's interpretation of Sections 16-130(a)(5) and (a)(6). A summary of this information is shown in Table 2.

The major difference between the Commission's interpretation of Sections 16-130(a)(5) and (a6) and the utilities' interpretation is that most utilities deducted the rate reductions that occurred in 1998 from 1996 and 1997 revenues, rather than in 1998 only. The Section 16-130(a)(5) and (a6) revenue tables provided by the utilities are attached to the Appendix of this report.

Table 2: Adjusted and Non-Adjusted Revenue

Utility	Year	Revenue Not Adjusted for Growth	Revenue Adjusted for Growth
(A)	*(B)*	*(C)*	*(D)*
AmerenCIPS	1996	$ 509,255,141	$ 509,255,141
	1997	$ 509,255,141	$ 507,529,419
	1998	$ 504,650,054	$ 525,483,513
AmerenUE	1996	$ 149,864,773	$ 149,864,773
	1997	$ 149,864,773	$ 152,241,327
	1998	$ 148,960,566	$ 154,157,878
CILCO	1996	$ 287,179,186	$ 287,179,186
	1997	$ 287,179,186	$ 288,878,283
	1998	$ 286,291,794	$ 303,929,370
ComEd	1996	$ 5,793,293	$ 5,793,293
(In thousands of $)	1997	$ 5,793,293	$ 5,782,823
	1998	$ 5,641,116	$ 5,902,056
Illinois Power	1996	$ 1,134,604	$ 1,134,604
(In thousands of $)	1997	$ 1,134,604	$ 1,134,500
	1998	$ 1,105,552	$ 1,136,801
Interstate Power	1996	$ 15,755,268	$ 15,755,268
	1997	$ 15,755,268	$ 15,843,667
	1998	$ 15,755,268	$ 15,847,549
MidAmerican	1996	$ 105,786,108	$ 105,786,108
	1997	$ 105,786,108	$ 108,871,853
	1998	$ 105,388,114	$ 114,014,061
Mt. Carmel	1996	$ 10,182,935	$ 10,182,935
	1997	$ 10,182,935	$ 8,258,136
	1998	$ 10,182,935	$ 8,135,744
South Beloit	1996	$ 8,288,174	$ 8,288,174
	1997	$ 8,288,174	$ 8,567,155
	1998	$ 8,288,174	$ 8,765,990

Note: The information in this table was calculated by the Commission based on information provided by the utilities upon Commission request.

G. Utility Revenue and Income

Section 16-130(a)(7) requires utilities to provide total revenue and net income amounts, as reported in the utility's FERC Form 1:

> **The electric utility's total revenue and net income for each calendar year beginning with 1997 through the calendar year preceding the year in which a report is required to be submitted pursuant to subsection (b) as reported in the electric utility's Form 1 report to the Federal Energy Regulatory Commission.**

Total revenue and net income figures, as provided by each utility, are summarized in Table 3. The information does not, in each case, represent the utility's earnings that are solely derived from the utility's electric operations. In particular, the figures for AmerenCIPS represent that utility's gas and electric operations; the 1997 figures for Mt. Carmel includes income from Mt. Carmel's gas operations; the figures for AmerenUE, Interstate Power and MidAmerican, include amounts from revenue earned in other states; and, the figures for South Beloit include amounts earned from gas and water operations. The figures for ComEd, CILCO, and IP represent amounts derived from those utility's electric operations. A blank space means that the utility did not provide information for that year.

Table 4 shows revenue and net income figures that represent amounts derived from each utility's electric operations only. The information in Table 4 was not specifically required by Section 16-130(a)(7) but rather is based on reports filed by the utilities with the Commission.

Table 3: Utility Revenue and Net Income, 1997-1998 (may include revenue from non-electric operations and non-Illinois jurisdictions)

	1997		1998	
Electric Utility	**Revenue ($ Thousands)**	**Net Income ($ Thousands)**	**Revenue ($ Thousands)**	**Net Income ($ Thousands)**
AmerenCIPS[6]	852,076	38,620	847,424	80,146
CILCO	338,298	53,467		
ComEd[7]	7,073,087	-773,773	7,135,880	594,206
Illinois Power	1,419,942	251,203		
Int. Power	51,196[8]	4,674	17,383	1,467
MidAmerican[9]	1,662,606	125,941	1,599,558	115,594
Mt. Carmel[10]	11,881	108		
South Beloit[11]		1,737		2,543
AmerenUE[12]	2,287,333	301,655	2,382,071	320,070

Notes: (1) The information reported in Table 3 was provided by the utilities.
(2) A blank space means that the utility did not provide information for that year.

[6] Includes revenue earned from AmerenCIPS's gas operations.
[7] ComEd's 1997 net income includes deductions for the following items: interest ($550 million), extraordinary items ($694 million), and deferred tax adjustment ($346 million), and other income and deductions ($95 million).
[8] Interstate Power's 1997 revenue and net income amounts include revenues earned in non-Illinois jurisdictions.
[9] Includes revenue earned in non-Illinois jurisdictions.
[10] Includes revenue earned from Mt. Carmel's gas operations.
[11] Includes revenues from South Beloit's water and gas operations.
[12] Includes revenue earned in non-Illinois jurisdictions.

Table 4: Utility Revenue and Net Income From Illinois Electric Operations, 1997-1998

	1997		1998	
Electric Utility	**Revenue ($ Thousands)**	**Net Income ($ Thousands)**	**Revenue ($ Thousands)**	**Net Income ($ Thousands)**
AmerenCIPS	700,517	95,488	721,918	114,983
CILCO	338,298	54,177	360,173	56,168
ComEd	7,073,087	913,006	7,135,880	1,045,950
Illinois Power	1,419,942	250,156	1,781,388	594,841
Int. Power	19,819	4,674	17,383	1,467
MidAmerican	124,815	22,923	125,343	20,470
Mt. Carmel	9,227	499	9,906	707
South Beloit	9,635	1,917	10,639	1,147
AmerenUE	149,089	20,322	158,780	24,340

Source: ICC calculations based on information filed with the Commission. "Revenue" represents "Total Electric Operating Revenues," as reported in Form 21, ILCC, p. 4. "Net Income" represents "Net Electric Utility Operating Income," as reported in Form 21, ILCC, p. 5.

H. Asset Sales to Non-Affiliates

Section 16-130(a)(8) requires utilities to provide information about the sales of generating plants to non-affiliated third parties. South Beloit sold the Rockton Hydro facility in 1998, for which it received $6,500 in excess of the facility's book value.

ComEd's proposed sale of its generating assets will be discussed in the year 2000 report.

The information required by Section 16-130(a)(8) is stated as follows:

> **Any consideration in excess of the net book cost as of the effective date of this amendatory Act of 1997 received by the electric utility during the year from a sale made subsequent to the effective date of this amendatory Act of 1997 to a non-affiliated third party of any generating plant that was owned by the electric utility on the effective date of this amendatory Act of 1997.**

I. Plant Sales or Transfers to Affiliates

Section 16-130(a)(9) requires utilities to provide information about sales of transfers of generating plants to affiliated interests. There were no such sales or transfers in 1998. IP's proposed sale of its fossil-fueled plants to an IP affiliate will be discussed in the year 2000 report. The information required by Section 16-130(a)(9) is stated as follows:

Any consideration received by the electric utility from sales or transfers during the year to an affiliated interest of generating plant, or other plant that represents an investment of $25,000,000 or more in terms of total depreciated original cost, which generating or other plant were owned by the electric utility prior to the effective date of this amendatory Act of 1997.

J. Plant Sales or Transfers by Affiliates to Non-Affiliates

Section 16-130(a)(10) requires each utility to provide information about the sales of generating plants by the utility's affiliates to third parties. There were no such sales or transfers in 19998. The information required by Section 16-130(a)(10) is stated as follows:

Any consideration received by an affiliated interest of an electric utility from sales or transfers during the year to a non-affiliated third party of generating plant, but only if: (i) the electric utility had previously sold or transferred such plant to the affiliated interest subsequent to the effective date of this amendatory Act of 1997; (ii) the affiliated interest sells or transfers such plant to a non-affiliated third party prior to December 31, 2006; and (iii) the affiliated interest receives consideration for the sale or transfer of such plant to the non-affiliated third party in an amount greater than the cost or price at which such plant was sold or transferred to the affiliated interest by the electric utility.

II. Conclusion

This report summarizes the information that electric utilities are required to file yearly with the Commission by March 1. The report indicates that utilities have used the provisions of the Customer Choice Law and changes to the Public Utilities Act to prepare for competition. In particular, ComEd and IP have taken numerous restructuring-related activities, including issuing billions of dollars of Transitional Funding Instruments, eliminating the fuel expense pass-through provision of the Uniform Fuel Adjustment Clause, and, most recently, selling generating plants.

Since the customer choice period has not yet begun, the principal benefit from the Customer Choice Law derives from the rate reductions that the State's six largest utilities have implemented for their residential customers. The five months in 1998 in which the rate reductions were in effect reduced residential rates by over $200 million. In future years the Commission expects that the rate reductions will amount to about $500 million.

Appendix

As stated in the body of the report, the Commission interpretation of the requirements of Sections16-130(a)(5) and (a)(6) is somewhat different than the utilities' interpretations of these sections. Therefore, the Commission calculated the summary table that appears as Table 2. Attached are each utility's responses to Sections 16-130(a)(5) and (a)(6).*

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* Utility responses are not available in electronic format and thus cannot be posted with this web document. The entire printed report is available from the Commission's Chief Clerk's Office (217-782-7434).